

**Price**  
**EGP82.22**  
at close of 23 May 2021

**Fair Value**  
**EGP126**  
set on 12 Apr 2021

**12M PT**  
**EGP146** (+78%)  
set on 12 Apr 2021

Investment Rating **Overweight** ★ ★ ★  
Risk Rating **Medium** ! ! !

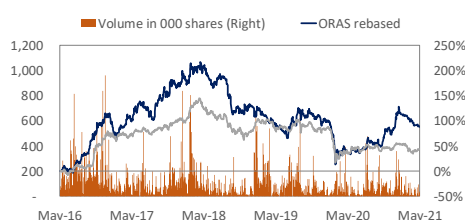
## Earnings Short of Our Estimates Yet Too Early to Judge

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Source: Bloomberg.

**Weak U.S. performance drags revenues:** Orascom Construction's [ORAS] Q1 2021 revenues edged down 1.3% y/y to USD816.6mn (1.6% below our estimates of USD830mn, achieving c.25% of our estimated full-year revenues of USD3.32bn). Despite the improved performance in the MENA region, where revenues increased by 4.9% y/y to USD580mn, U.S. revenues decreased by 13.9% y/y to USD236.6mn. Consolidated net income after minorities decreased by 4.4% y/y to USD23.9mn (23% below our estimates of USD31mn, achieving 21% of our estimated full-year net income of USD113mn). Backlog (ex-50% of BESIX), inched up 0.1% y/y to USD5.4bn in Q1 2021, as new awards rose 11% y/y to USD666.4mn.

**Egypt still has the lead:** In Q1 2021, the MENA region contributed 71% to revenues (Egypt accounted for 68.7% of total revenues), while the U.S. contributed the rest. Meanwhile, Egypt contributed 79% to ORAS's backlog (ex-50% of BESIX). In Q1 2021, the U.S. contributed only 2% to the bottom line compared to 10% in 2020 although management said it is targeting a higher contribution to earnings from the U.S.

**BESIX on the way to recovery:** ORAS's 50% stake of BESIX weighed less on the former's Q1 2021 earnings, logging an attributed net loss of only USD1.4mn, down from USD11.4mn a year before. BESIX's stand-alone backlog increased to EUR4.7bn in Q1 2021 (vs. EUR4.2bn at end of 2020), with new awards growing 62% y/y to EUR1bn (vs. new awards of EUR2.3bn in 2020).

**Margins shrank y/y but stretched q/q:** EBITDA margin came in at 6.2% in Q1 2021 (vs. 5.1% in Q4 2020 and 7.7% in Q1 2020). Lower margins were affected by higher commodity prices in both MENA and the U.S. Meanwhile, net profit margin did not change significantly, settling at 2.9% in Q1 2021 (vs. 2.8% in Q4 2020 and 3% in Q1 2020) as the decrease in MENA and U.S. net profits was mostly offset by BESIX's narrower attributed net losses.

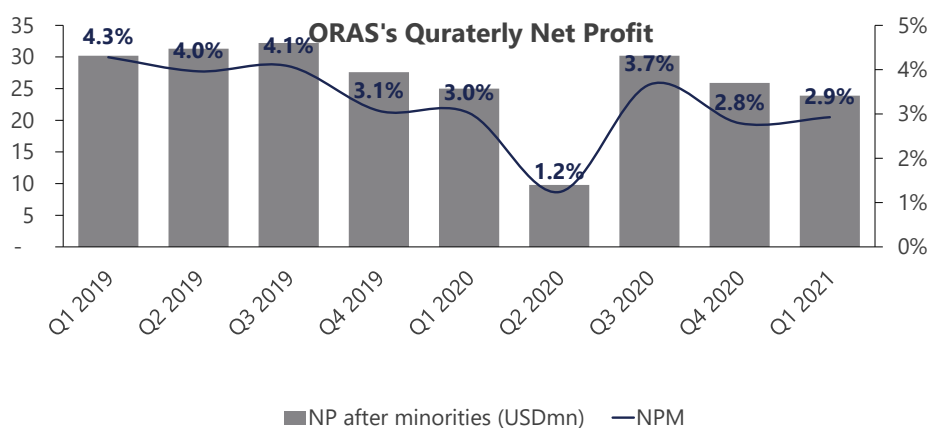
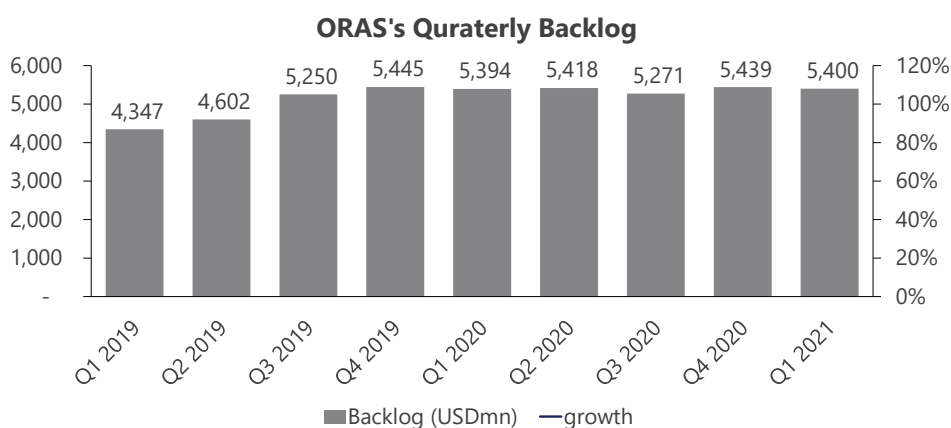
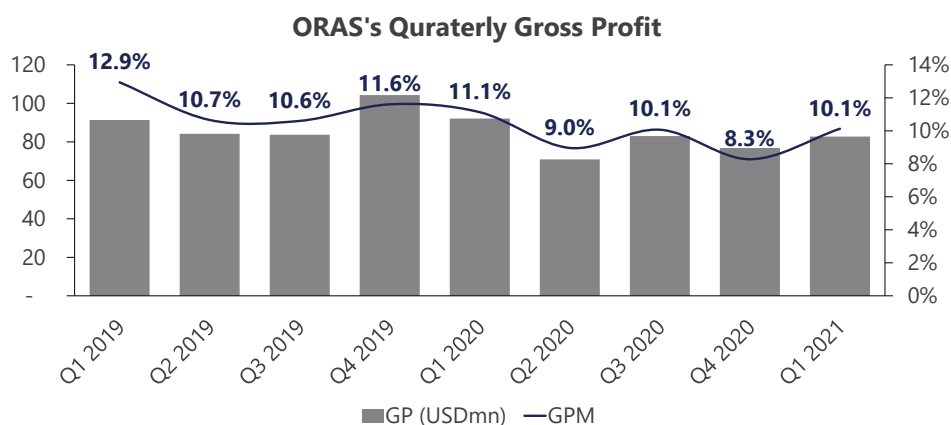
**Overweight maintained:** ORAS is trading at a TTM P/E and EV/EBITDA of 6.8x and 2.8x, respectively. We are neutral on Q1 2021 results; the top line came broadly in line, while the bottom line fell below our quarterly estimate, which is based on our full-year forecast. ORAS's AGM approved distributing a cash dividend of USD0.2313/share with a second expected installment. We maintain our 12M PT and our Overweight rating (+78%).

### KEY STOCK STATISTICS

Shares outstanding (mn)	116.8
Free float	23.7%
Market Cap (EGPmn)	9,600
Market Cap (USDmn)	611
52w range	102.80-62.02
EGP100 invested 5y ago	189
TTM EPS	USD0.77
TTM P/E	6.8x
2021 EPS	USD0.97
2021 P/E	5.4x
2021e EV/EBITDA	1.3x
Last fiscal year's DPS	USD0.23
Dividend yield	4%
5Y beta	1.1
5Y Proj. EPS CAGR	11%



## Results in charts



## Financial Summary

USDmn	Q1 2021	Q1 2020	y/y	Q1 2021e	Variance	2021e	% achieved
Backlog (ex-50% of BESIX)	5,400	5,394	0.1%	na		5,273	
Revenues	817	828	-1.3%	830	-1.6%	3,321	25%
EBITDA	51	64	-20.4%			197	26%
Net income	24	25	-4.4%	31	-22.9%	113	21%

Source: Company reports, Prime Research.

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